

Brighton & Hove City Council

Policy and Resources Committee

Agenda Item 96

Subject: Refuse Vehicle Procurement – 5 Year Leasing

Date of meeting: 27th of January 2022

Report of: Executive Director, Environment, Economy and Culture

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Ward(s) affected: All

For general release

1. Purpose of the report and policy context

1.1 The Councils approach to procurement of fleet is outlined in the Fleet Strategy of 2020. The preferred approach set out in the strategy is to purchase vehicles, rather than hire or lease.

1.2 This report seeks permission seeks approval for an alternative approach, which is leasing five Twinpack Vehicles over a five year period. The cost of this to be met within existing budgets.

1.3 This report is being presented due to the variance from the strategy and the overall contract value which would be in the region of £1.5m over a 5 year period.

2. Recommendations

2.1 That Committee delegates authority to the Executive Director of Environment, Economy and Culture to enter into a leasing contract for the hire of five Twinpack Recycling Vehicles for a period of five years, up to the value of £1.5m

3. Context and background information

3.1 The current collection method for Dry Mixed Recycling (DMR) and Glass on residential streets is by using a Twin Pack. A Twin Pack is a Rear Compaction Vehicle (RCV) with two compartments split 70% and 30%. The glass goes into the 30% compartment and DMR goes into the 70% compartment. The glass is very abrasive and causes many mechanical problems as the vehicle ages.

3.2 The Fleet section have attempted to refurbish the worn the parts of the older Twin Pack RCVs. This provided temporary relief from repeated breakdowns. However, this only proved to be effective for a short time as the problems have now started reoccurring.

- 3.3 The repeated mechanical failures of the existing older vehicles has had a significant impact on service delivery and leads to missed recycling collections. This also generates frustration amongst the workforce and has been cited in the recent industrial relations dispute as a 'failure of the council to provide adequate tools for staff to do their job'.
- 3.4 It is unlikely that Twin Packs Refuse Collection Vehicles will be required after 2026, as the way glass and DMR will be collected in the future is under review. This is due to the abrasion of glass in this vehicle type, which can lead to more frequent vehicle failure. The Environment Act 2021 will also have an impact on our collection methods although these new requirements are yet to be announced. Therefore, until the collection methods are determined, purchasing new Twin Packs would be imprudent for a vehicle that could be redundant in 2026. Further to this if we were to purchase it would take in the region of 2 years from the decision to delivery of the new vehicles due to the demand and availability for these types of vehicles.
- 3.5 The option to lease vehicles for up to five years is available. To lease five vehicles and replace the 2012 models, the cost is £0.294m per year. In order to reduce the overall cost to the council it is proposed to sell 4 of the 2012 vehicles. One of the 2012 vehicles would be reallocated to Streets for collection of refuse from bins on the beach, improving efficiency by increasing capacity and therefore reducing the frequency of tipping, as the current collection vehicle is a 12 tonne refuse collection vehicle and this would be replaced with a 26 tonne refuse collection vehicle. This would then remove the need to purchase a new 12 tonne twinpack for collections which is estimated at £0.280m. There would also be savings in maintenance costs and fuel costs. The costs and savings are shown below in detail, the estimated net cost being £0.689m.
- 3.6 The vehicles will be leased using an existing procurement framework. Twinpack vehicles are in very high demand nationally and to date we have not been able to identify more than one company that can supply. It is therefore essential that the council moves quickly should it be decided to go ahead with this leasing agreement. The vehicles are currently on spot hire to the council for a one month period.
- 3.7 Twinpack vehicles are currently not manufactured in a non diesel type. The new hire fleet would also be Euro 6 which are more fuel efficient and emit lower emissions than the current Euro 5 engines they will be replacing.
- 3.8 The cost for this would be paid from within the existing Fleet revenue budget by off hiring some vehicles no longer required and generating other efficiencies. Two Twinpacks are currently on hire are at a rate of £5,067 per month each. Moving forward with leasing 5, the current lease would be cancelled and renewed to £4,905 per month each creating a saving of £7,776.00 over the two years for these two vehicles.
- 3.9 The table below sets out the costs and how the full cost would be offset

	Per Annum Year 1 £'000	Per Annum Years 2 to 5 £'000	Total £'000
Expenditure:			
5 x New Leased Twinpack over 5 years:	294	294	1,470
Estimated Income/Savings			
Reduction of Maintenance costs over 5 years	50	50	250
Income from Maintenance of Leased Vehicles	30	30	150
Resale of old Vehicles	80		80
Fuel Saving due to Euro 6 engines	4	4	21
Cost Avoidance of Mini Twinpack for Collections	56	56	280
Total Estimated Income/Savings	220	140	781
Net Cost	74	154	689

4. Analysis and consideration of alternative options

- 4.1 Consideration was given to refurbishment of the existing fleet to electric, but the timeframe for this would be approximately 3 years to complete all five vehicles. Current refurbishment companies do not have the authority to interact with the vehicle operating systems and issues over responsibility of repair can be disputed by the manufacturers. This is likely to lead to vehicles being off the road for longer periods and service disruption.
- 4.2 Purchasing a new fleet would take 24 months from the start of task to the delivery of new vehicles. These vehicles are likely to be redundant in five years also as alternative collection methods are being investigated under the National Waste Strategy regulations.

5. Community engagement and consultation

- 5.1 The trade unions have been consulted and are keen for this to progress in response to concerns raised by their members.
- 5.2 This report did not go through Procurement Advisory Board due to the urgency to lease hire vehicles that are in short supply nationally, while they are available.

6. Conclusion

- 6.1 It is recommended that the council enter into a five year lease for five Twinpack Recycling Vehicles, to improve service delivery and industrial relations.

7. Financial implications

- 7.1 The gross cost of leasing these 5 vehicles of £0.294m per annum will be paid through the services vehicle contract hire budget of £0.224m. However, the cost reductions and mitigations as set out in the table in paragraph 3.9 will result in lower costs throughout the Fleet & Maintenance service which should bring the net cost to £0.074m in year 1 and £0.154m in years 2 to 5 per annum. Due to progress made within the Fleet & Maintenance budgets to control and reduce spends, financial year 20/21 resulted in an underspend position and the current years forecast is also expected to be underspent. Any significant variations to budget will be reported as part of the council's monthly budget monitoring process.

Name of finance officer consulted: John Lack Date consulted: 06/01/22

8. Legal implications

- 8.1 The Council is required to comply with the Public Contracts Regulations 2015 in relation to the procurement and award of contracts above the relevant financial thresholds for services, supplies and works. Using a Framework is a compliant route to market. The Council's Contract Standing Orders (CSOs) will also apply to this procurement exercise. CSO 7.5 permits officers to select a supplier without the need for further competition where there is only one supplier capable of fulfilling the requirement.

Name of lawyer consulted: Alice Rowland Date consulted 6.1.22:

9. Equalities implications

- 9.1 Not applicable

10. Sustainability implications

- 10.1 The new vehicles will enable us to improve our recycling service and provide less missed collections.
- 10.2 The Euro 6 engines will improve our fuel efficiencies and help reduce current emissions.

11. Other Implications

Social Value and procurement implications

- 11.1 Improving staff wellbeing by reducing the frustration of not having the tools to do the job which may be leading to staff absences associated with stress and anxiety
- 11.2 Meets the areas of focus from the Councils Corporate Plan in two areas.

- a) A sustainable city- in that leasing now is a stepping stone to becoming carbon neutral by 2030.
 - b) A healthy and caring city – in that will be able to offer the very best quality of service to residents.
- 11.3 Vehicles could carry promotional messages relating to the importance and benefits of recycling and reducing waste.
- 11.4 This should help improve community relations. There can be nothing more frustrating for residents than missed collections due to unreliable vehicles.
- 11.5 The report did not going through PAB because of the urgency to make a decision to lease hire or otherwise lose the opportunity.

